

Remarks on the Occasion of the 50th Anniversary of the Treaty of Rome

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It is a great pleasure to be here to help celebrate the Fiftieth anniversary of the Treaty of Rome¹, marking the beginning of the creation of the European Union—an event of enormous historical significance not only for Europe, but for the entire world. I have been asked to speak on what the world *expects* from Europe—but I want to broaden my remarks to what the world *needs* from Europe as well.

We should remember the driving motivation of the founders of this European Project was peace. During the preceding half century, the world had been ravaged by two world wars, both of which had originated in Europe. Peace in the world depended on Europe learning to live peacefully together. The hope was that economic integration would lead to long lasting peace: greater understanding would come from the myriad of interactions that inevitably flow from commerce. And the increased interdependence that would result from the creation of the European Union would make conflict simply unthinkable. These dreams of the founders have been more than realized. Nowhere in the world do neighbors live together more peacefully, nowhere do people move more freely, with greater security, than they do in Europe.

Economic integration has, at the same time, helped bring about unprecedented prosperity in Europe. And I should make it clear, as an economist, I view Europe as an enormous economic success. Sometimes there is within Europe an unwarranted sense of pessimism, as Europe compares its GDP growth with, say, that of the U.S. But one should not be misled by excessive focus on one measure or another. Success is *not* well measured by GDP per capita. For instance, while U.S. GDP per capita has been rising, *most Americans today are worse off than they were, say, 5 years ago*. To me, an economy which, year after year, leaves most of its citizens worse off is *not* a success. *In broader measures of success, such as the UNDP's Human Development Indicator, the U.S. ranks 10th, well behind many of the European countries.*

The success of the European *economic* project has become the envy of countries all over the world. In imitation, regional groupings are being formed on virtually every continent. Adam Smith, one of the great figures of the Scottish enlightenment, was right when he argued for the advantages of broadening the extent of the market. Indeed, the economic dimension of the EU has become so important that many simply forget that the Union is far more than that. To be sure, there are great challenges in perfecting this economic union; for instance, there is a need to lower the unemployment rate and improve the dynamism of the economy. There is a continual challenge in designing a system which

¹ Signed on March 25, 1957

balances out the needs for standards across the EU with the rights of individual nations to have regulatory frameworks that reflect their own national values.²

But the success of the EU is to be measured not so much in these pieces of legislation and regulation, or even in the prosperity which economic integration has brought, but in the creation of a new European identity—where individuals see themselves as citizens not only of their town and their nation, but citizens of Europe. At the creation of the EU, some were worried that it would lead to a weakening of the diversity which is such a vital part of Europe. Some even worried that economic prosperity which accompanied its success would result in material values dominating all others. I would suggest to the contrary: the values which help define Europe, to which I will turn shortly, have actually been strengthened.

This is still another respect in which Europe has set an example for all the world—for if we who share this small planet are to live in peace, we must see ourselves as not only citizens of our local communities and our nations, but citizens of this world, with rights—including those set out in the Universal Declaration of Human Rights—and responsibilities. Among those responsibilities are to help those less fortunate. Again, Europe has led the way, providing more assistance to developing countries than anyone else (and at a markedly higher fraction of their GDP than the U.S.). And it has done so in ways which try to foster democracy and sustainability, avoiding the burdens of excessive conditionality. But as much as has been done, there is more that Europe can and should do.

The world has gone through a hard time during the past six years. The commitment to democratic multilateralism has been challenged, and rights guaranteed under international conventions, such as the Convention Against Torture, have been abrogated. We should never forget that if the rights of any individual are abrogated, the rights of all individuals are put into jeopardy. Regrettably, we have seen the wisdom of Lord Acton's aphorism: Power tends to corrupt, and absolute power corrupts absolutely.³

Many lessons have emerged, including the dangers of hubris and the limits of military power. Among the lessons is the need for a multi-polar world. Europe, with more people than any nation other than China and India, and a larger GDP than any nation, must be one of the central pillars of this multi-polar world. Europe needs to project its power and influence more—especially through the power of ideas and example, through what has come to be called soft power.

Fifty years ago, it would have been difficult for the founders of the EU to have articulated their sense of values, beyond their commitment to peace and democracy. And there is no way that I, as an outsider, in a few minutes can summarize the ideas and ideals through

² These debates are often absorbing, and seemingly never ending—but I would suggest that perhaps they should be never ending, for each generation should, in a democratic society, have the right to engage in its own rebalancing act.

³ *Letter to Bishop Mandell Creighton, 1887*

which Europe can help shape the world. What is clear, however, is that Europe *must* help shape the world.

Globalization has brought the countries of the world together to an extent unimaginable 50 years ago. The lowering of transportation costs and communication costs has provided the technological basis for globalization; but equally important have been the lowering of man-made barriers. The problem today with globalization is that economic globalization has outpaced political globalization. Among the consequences of this is that while some have done very well, others—many others—are actually worse off. Some values—profits and material values—have been pushed at the expense of others. The EU would not have succeeded if it were *only* an economic union. That by itself is another of the lessons that Europe has to teach the rest of the world.

I have spent a great deal of time in recent years thinking about how to make globalization work, or, I should say, work better. In my remaining few minutes, I want to describe briefly five of the key lessons from the European project, five of the values that Europe has come to stand for but which are more than just European values.

The first concerns democracy, one of the most fundamental values that underlies the entire European project. Everyone talks about democracy, so much so that it has become almost a platitude. But democracy is more than periodic elections. Deep democracy entails active and meaningful participation in decision making; it requires an active and engaged civil society, contestable elections—free from the gerrymandering that has undermined true democracy in some places that are long on the rhetoric but short on the practice of democracy; it entails citizens' right to know—strong freedom of information acts—with a vibrant and diversified media, not controlled either by the state or by a few oligarchs; it entails accountability and responsiveness, institutional designs with a careful balancing of independence, expertise, and representation.

The second concerns social justice and solidarity. Western values place individuals at the center—an economic and political system is to be judged by the extent to which individuals are able to flourish, to which the potential within each of us can be realized. But as individuals, we are part of an ever widening circle of communities, and we can realize our potential only if we live in harmony with each other. This, in turn, entails a sense of responsibility, of social solidarity, and of social justice.

Europe demonstrated that powerfully when it opened its borders to accept the new members from Eastern Europe, countries recently freed from the shackles of Communism. The transition from Communism to the market has not been easy; almost two decades after the beginning of the transition, the prosperity that was promised has still eluded many of the countries of the Former Soviet Union. The unprecedented generosity exhibited by Europe has paid off: the countries that have joined have outperformed all the others, and not just because of the access to Europe's markets. Even more important was the institutional infrastructure, including the binding commitment to democracy and the vast array of laws and regulations which we too often take for granted.

Europe has succeeded in part because of the respect for the dignity of man, a spirit of tolerance; but it is more than tolerance—Europe has been based on recognizing the rights of individuals and has created institutions to protect those rights. America has seen a massive assault on those rights, including that of habeus corpus. Fine distinctions are made, for instance, between the rights of citizens and non-citizens. But we are talking about *human rights*, rights that are inalienable and universal. The Convention on Torture does not distinguish between enemy combatants and civilians: it forbids torture under all circumstances. Today, Americans and those everywhere in the world look to Europe for the defense of these universal human rights. Today, only Europe can speak with credibility on the subject. For the sake of all of us, Europe must continue to speak out—even more forcibly than it has in the past.

This “harmony” of people living together in peace was, as I said before, at the root of the European project. But we also need to live in harmony with our environment. Economics is the science of scarcity, and the most scarce of all of our resources is our environment. Economic growth has brought with it the potential to destroy our environment—but it has also brought with it the potential to save it. If there were a thousand planets, we could recklessly proceed with emitting carbon into the atmosphere—as we have done for the past two hundred years. We might watch to see if the scientists’ predictions turn out correct: the dramatic changes as the Gulf Stream shifts, and perhaps disappears, as the Arctic ice cap melts, as glaciers disappear, as the permafrost defrosts, as storms intensify. But global warming is, unfortunately, not a spectator sport. We are all participants, and we have but one planet. There is no other planet to which we can retreat. We cannot just view this as an experiment—an experiment which, if it turns out as the scientists expect, as will almost surely be the case, we move on to the next planet. In this area, as in so many others, Europe has taken the lead; it has shown that it is possible to put aside petty selfishness to achieve the common good—the common good not only for Europe, but for the whole world. But, again regrettably, that is not enough. There are others—including the world’s largest polluters—who are seemingly willing to take advantage of Europe’s restraint, who continue to pollute more, even as Europe struggles to reduce its pollution. The survival of the world as we know it is too important to simply rely on the hopes that Europe’s example and sweet talk will do the trick. Europe has shown the power of economics; economic sanctions, which I believe can be imposed in ways which are consistent with WTO obligations, may be the only recourse.

This brings me to the final point. One of Europe’s greatest gifts to the world is the Enlightenment. I have already touched on many of the Enlightenment perspectives and values, such as its spirit of tolerance. The questioning of authority is part of the spirit of democracy, and underlies scientific enquiry which has done so much to raise living standards over the past two centuries. I view the EU project itself as part of the spirit of the Enlightenment: the founders of the EU recognized that the world that they had inherited was not working; but they recognized too that it was within our grasp to change the world. With strong ideals, they began a project that has exceeded the imagination of almost everyone at the time.

Today, as we look around the world, we see much that is not working well. While in Europe, economic integration helped in the achievement of a broader set of goals; elsewhere, economic globalization has, in some ways, contributed to increasing the divide—between the rich and the poor within countries, and between the rich and poor countries. Economic globalization has contributed, too, in some ways to the assault on the global environment.

But another world is possible. But if that other world is to be achieved, Europe must take the lead. Europe's future well-being depends on it. But so too does the well-being of the entire world.